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March 2, 2006
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City of Morro Bay
Department of Public Services
955 Shasta Ave
Morro Bay, CA 93442

Attention: Mr. Bruce Keogh, Wastewater Division Manager

Subject: Re-issuance of the 301(h) Waiver, Response to Comments by NRDC dated
February 2, 2006

Dear Mr. Keogh:

Carollo Engineers, P.C. in response to the comments submitted by the Natural Resources Defense Council (NRDC) provides the following comments. Specifically, Carollo will address the issues of the time line and the project costing. Other comments are also included for reference and/or comment by others. Carollo has responded separately to comments submitted by CEA Engineers, P.C. and makes reference to those comments where useful. As we stated in the CEA response letter, although the time lines suggested by CEA and the NRDC could be met in an ideal situation, it is clear that the 9-1/2 year Conversion Schedule proposed by the RWQCB is well within the range of time lines that actually occur in California and specifically California Coastal Communities. To shorten the time line would limit local users full public involvement and discussion on the environmental, social, and economic issues that other similar communities have been afforded.

Page 44, 3. Future Violation Resulting From the Plant's Outdated Design

NRDC cites the expected flow increases from the current 1.14 MGD to 1.2 MGD by 2009 and then 1.23 MGD by 2014 as an indication that removal rates will not remain stable over the next five years. Carollo remains confident that the addition of 90,000 gallons per day to the current 1,114,000 gallons per day over the next five years will have little or no appreciable impact on the final effluent quality and that the removal rates will remain stable over this period and throughout the 9-1/2 year time line presented. With this small increase in flow, it is our experience that the plant staff will not notice an appreciable change in influent characteristics or a measurable changed response by the treatment processes. Therefore, the plant will continue to operate essentially as it has operated in the recent past. This small flow increase can essentially be spread evenly over all the treatment facilities allowing continued treatment at the current removal levels.

Carollo is also confident that the current excellent attention being provided by the staff to the operation and maintenance of the existing facilities will assure continued treatment at the current treatment levels. The plant is aging and does need the appropriate level of attention to reflect it's age. However, the plant is in no way falling apart and falling into the ocean. The

plant is reliable and can continue to provide the current level of treatment for the full 9-1/2 years recommended in the Conversion Schedule.

Page 57: Part 4 Why the 9.5 Year Upgrade Time Line is Illegal.

A. The Conversion Schedule Must Complete Upgrades as Fast as Possible.

As we stated in the CEA response letter, although the time lines suggested by CEA and the NRDC could be met in an ideal situation, it is clear that the 9-1/2 year Conversion Schedule proposed by the RWQCB is well within the range of time lines that actually occur in California and specifically California Coastal Communities. To shorten the time line would limit local users full public involvement and discussion on the environmental, social, and economic issues that other similar communities have been afforded. The 9-1/2 year schedule should be interpreted as meeting the "as short as possible" and "as soon as possible" references in California and Federal regulations. Further, as discussed below, it is not more cost-effective to upgrade the Plant sooner rather than later as NRDC implies.

Page 59: C. Evidence in Record Does not Support the Contention that the 9.5 Year Timeline Achieves Compliance as Fast as Possible.

As a point of clarification, the second bullet on page 60 indicates that the Watsonville, CA project would be completed in 7 years. The project is currently projected to take no less than nine years. Fortunately, to our knowledge, Watsonville is not under a settlement agreement wherein they would be facing litigation due to unavoidable delays.

The second paragraph on page 60 discusses David Stringfield's (Carollo Engineers) comment on an 8-1/2 schedule and that plant staff rejected the schedule. It should be clarified that David Stringfield recommended the 9-1/2 year schedule as the appropriate schedule but with the shorter schedule as an alternative. Mr. Stringfield is concerned that the shorter schedule essentially puts Morro Bay Cayucos at risk of violating the time line. If that is not what is on the tape, that was the message.

Page 61: 2. The Time Schedule Pads the Time Needed in the Planning Process

In this section, NRDC refers to text from public meetings and written correspondence often out of full context. The implication from the references is that a shorter schedule never was considered and that the recommended schedule was not justified. This simply is not the case.

Section (a) on page 61 discusses the opportunity to parallel critical project tasks. Paralleling tasks is possible and common. In fact, it is expected that paralleling will occur at Morro Bay Cayucos as the project progresses. A commitment has been made to improve on the 9-1/2 year schedule where and when possible. Paralleling will be one tool to accelerate the schedule. However, to assume paralleling from the outset requires elimination of time from a critical component and places a restriction on the project time line. Further, NRDC quotes David Stringfield as saying JPA members could come to agreements quicker. Mr. Stringfield's comment simply means that if this occurs, then the JPA will have fulfilled their commitment to shorten the process as promised. To shorten the time line in anticipation of

smooth sailing would potentially limit local users full public involvement and discussion on the environmental, social, and economic issues that other similar communities have been afforded. Furthermore, the shortened schedule would put Morro Bay Cayucos at risk of permit violations if there are delays.

Section (b), starting on page 61, comments on coordination and planning periods. NRDC comments that the 3-1/2 year time line for planning is too long and unsupported. They then imply an "Abuse of Discretion" on the part of Carollo Engineers to which Carollo Engineers takes offense. Carollo stands by their 9-1/2 year recommended planning period and have provided the references to several recent projects along the California Coast where more than nine years have been required to complete the entire process (letter to Morro Bay dated March 1, 2006, Response to CEA Engineers/Dr. Bell comments).

In that response, Carollo cites the cities/communities of Half Moon Bay, Watsonville, Los Osos, and Imperial Beach. Add to that Goleta which NRDC wants to discount as somehow unique and hence not applicable. We hope it is clear to all that Carollo's point is that each project is unique and our observation is that California Coastal communities take longer than average to work through their unique issues. The time line we have recommended is within the time line range we have experienced for coastal communities similar to Morro Bay Cayucos.

Page 63: 3. Other Rationale for 9.5 year Timeline are Unsubstantiated.

In this section, NRDC continues their contention that the time line is too long, that the project is not complex and that the tertiary facilities considerations can be separated from the secondary facilities considerations. Carollo has addressed these issues in our response to CEA's comments. To summarize, the time line is appropriate, the project is reasonably complex considering the tight site constraints, and there is an opportunity to use evolving membrane technology to produce a secondary/tertiary effluent. Morro Bay Cayucos needs the time to properly consider and evaluate these issues and opportunities.

Page 64: D. Delaying Upgrade is Not Cost Effective.

NRDC has again taken Carollo's comments out of context in their review of the costing. First, the purported \$100,000 monitoring savings has a present value of somewhere in the neighborhood of \$1.4 million over a 20 to 30 year payback period. The value associated with a 5-year acceleration is approximately \$450,000. This certainly is not enough to warrant acceleration of a project that is likely to cost \$15 million to \$30 million. Second, Carollo did not mean to imply that fixing the rates at today's cost was recommended as might be implied in NRDC's comments. This is certainly not the best financial approach. It was a simple statement of fact useful for comparison purposes.

Third, the discussion on grants being lost is not factual. To Carollo's understanding, this project was never likely to receive Proposition 40 or 50 monies. It did not, and still does not, meet the criteria needed to qualify as high priority (statements in front of the public meetings by others to the contrary). Lastly, any apparent reductions in costing by Carollo in our meetings are primarily associated with more detailed cost estimates, not the value-of-money

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savings. Carollo, and the engineering community as a whole, know that the longer the community uses an existing facility, the lower the costs to local users (in the absence of grants).

Please contact me if you have any questions or comments.

Sincerely,

CAROLLO ENGINEERS, P.C.



David L. Stringfield, P.E.

DLS:cjp